8/19/97

# APPENDIX 2

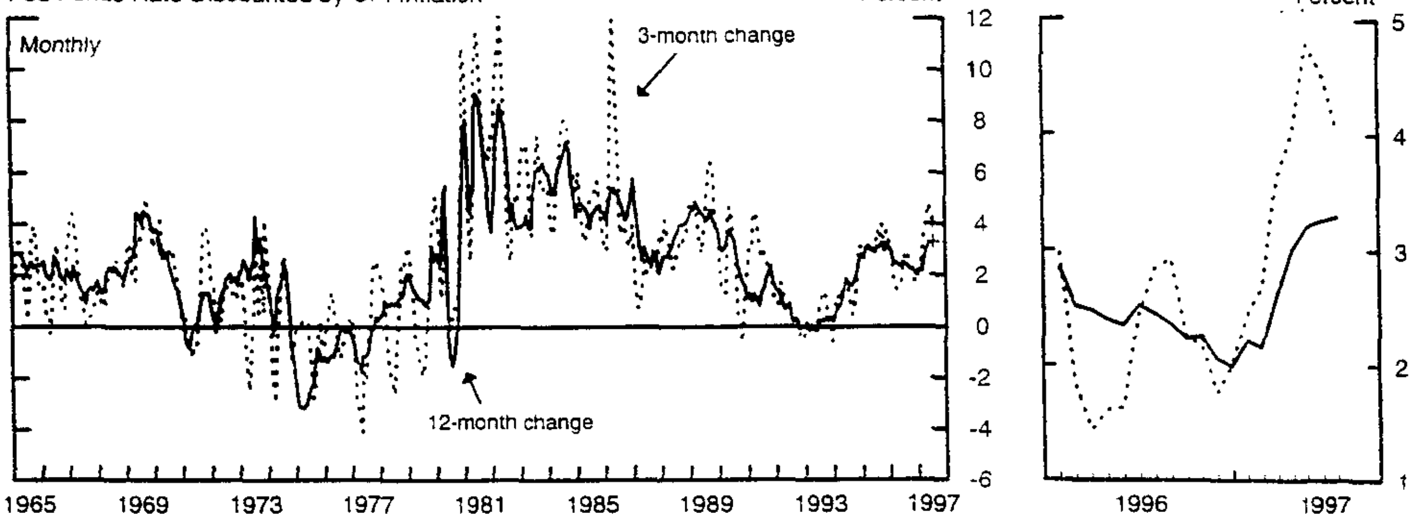
Charts used by Mr. Kohn in his statement.

Chart 10

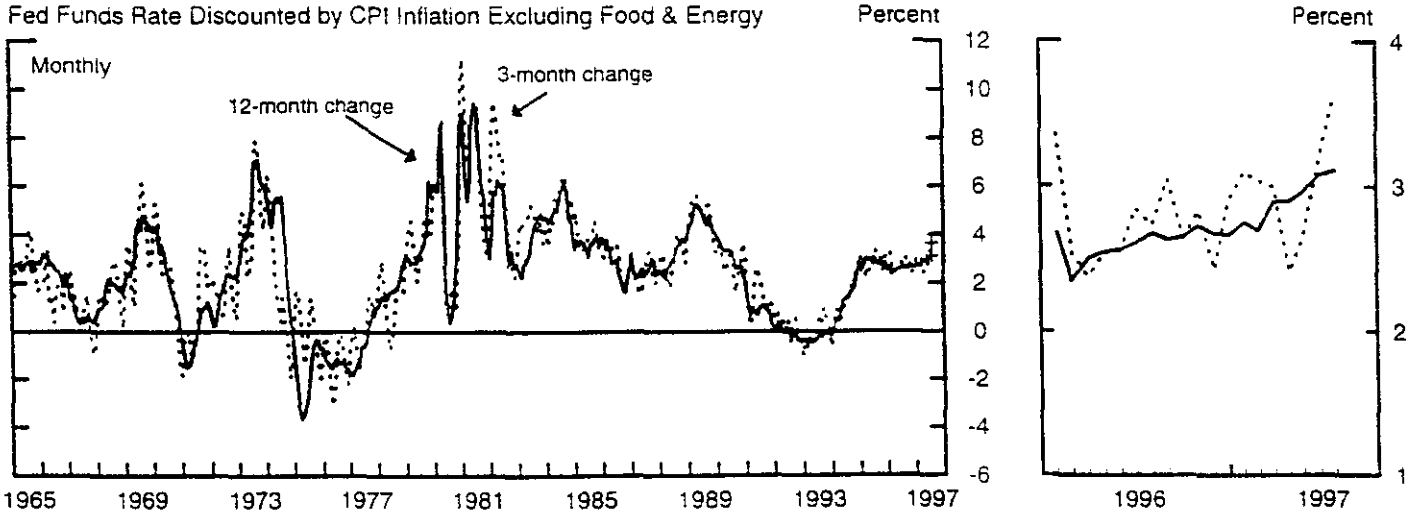
# Real Federal Funds Rate

(Using the Actual CPI-Measured Inflation Rate)

Fed Funds Rate Discounted by CPI Inflation




Fed Funds Rate Discounted by CPI Inflation Excluding Food & Energy



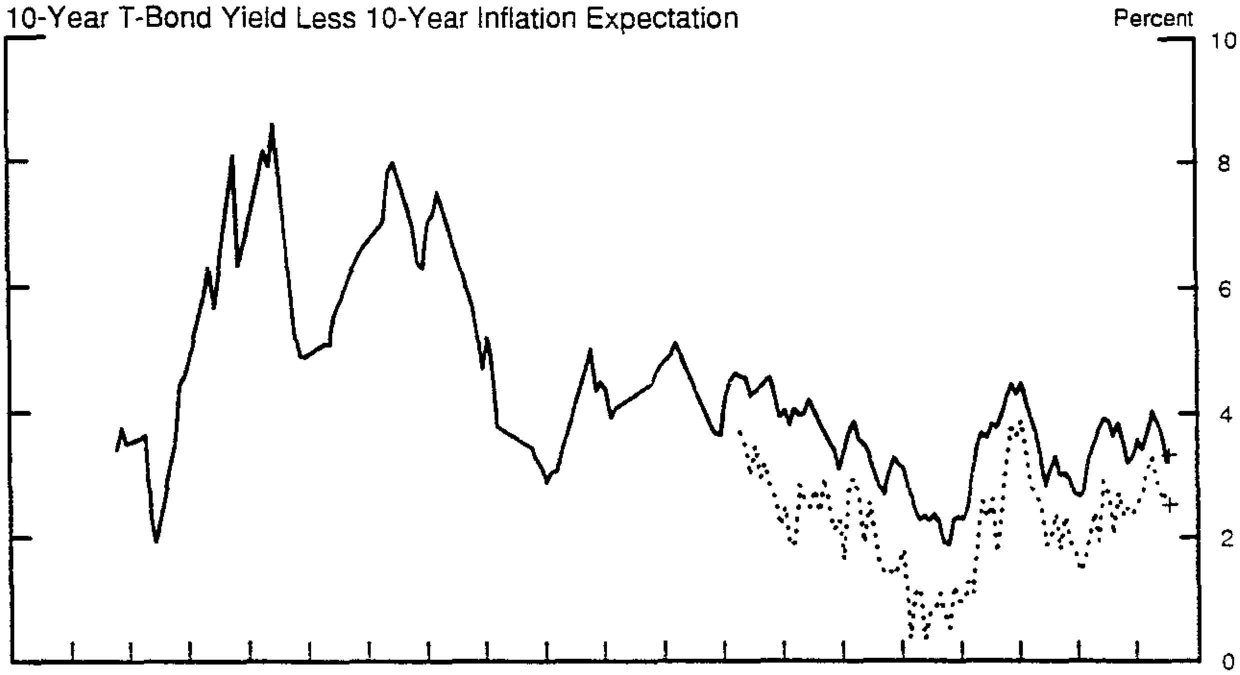

Period Averages of Monthly Real Fed Funds Rate

| | Real rate using: CPI | | Real rate using: CPI exc. food & energy | |
|---|---|---|---|---|
| | 3-month change | 12-month change | 3-month change | 12-month change |
| Entire Sample | 2.49 | 2.37 | 2.53 | 2.44 |
| 1979-97 | 3.50 | 3.27 | 3.26 | 3.06 |
| 1987-97 | 2.35 | 2.29 | 2.21 | 2.11 |
| July 1997 | 4.04 | 3.30 | 3.64 | 3.11 |

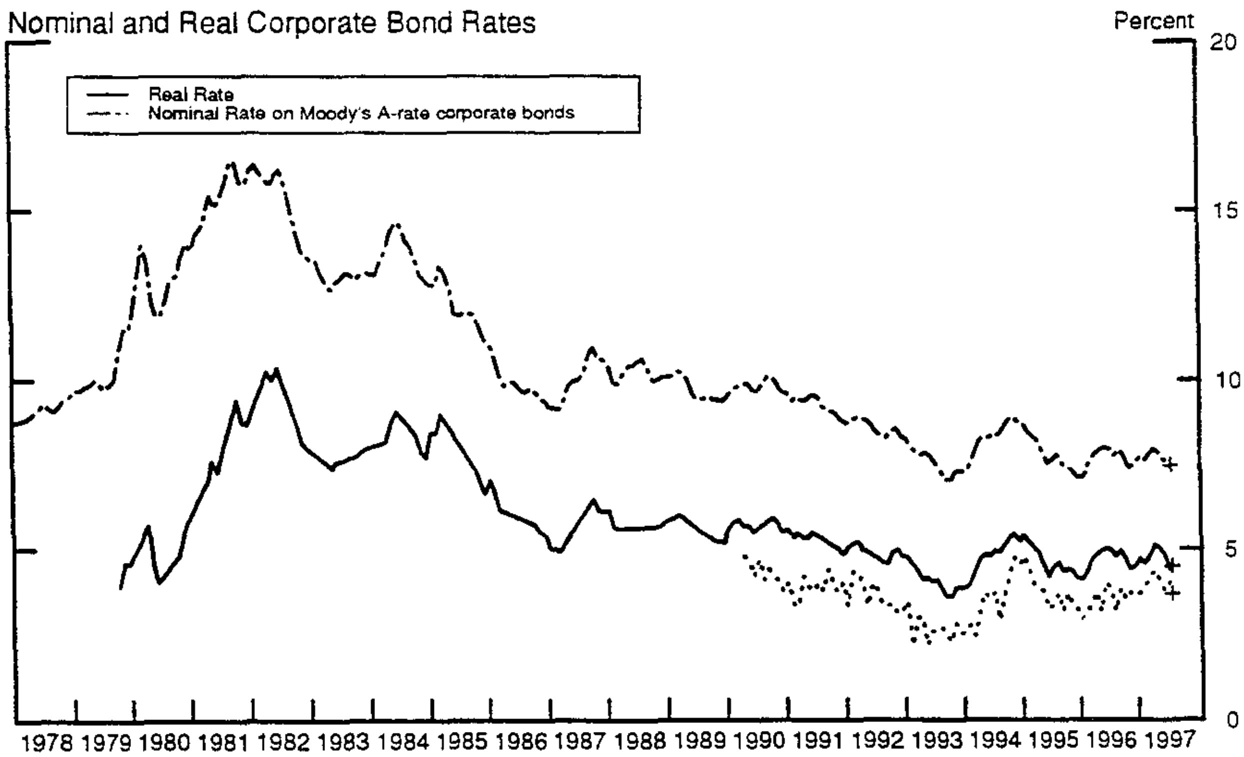
Chart 5

## Long-Term Real Interest Rates*

10-Year T-Bond Yield Less 10-Year Inflation Expectation



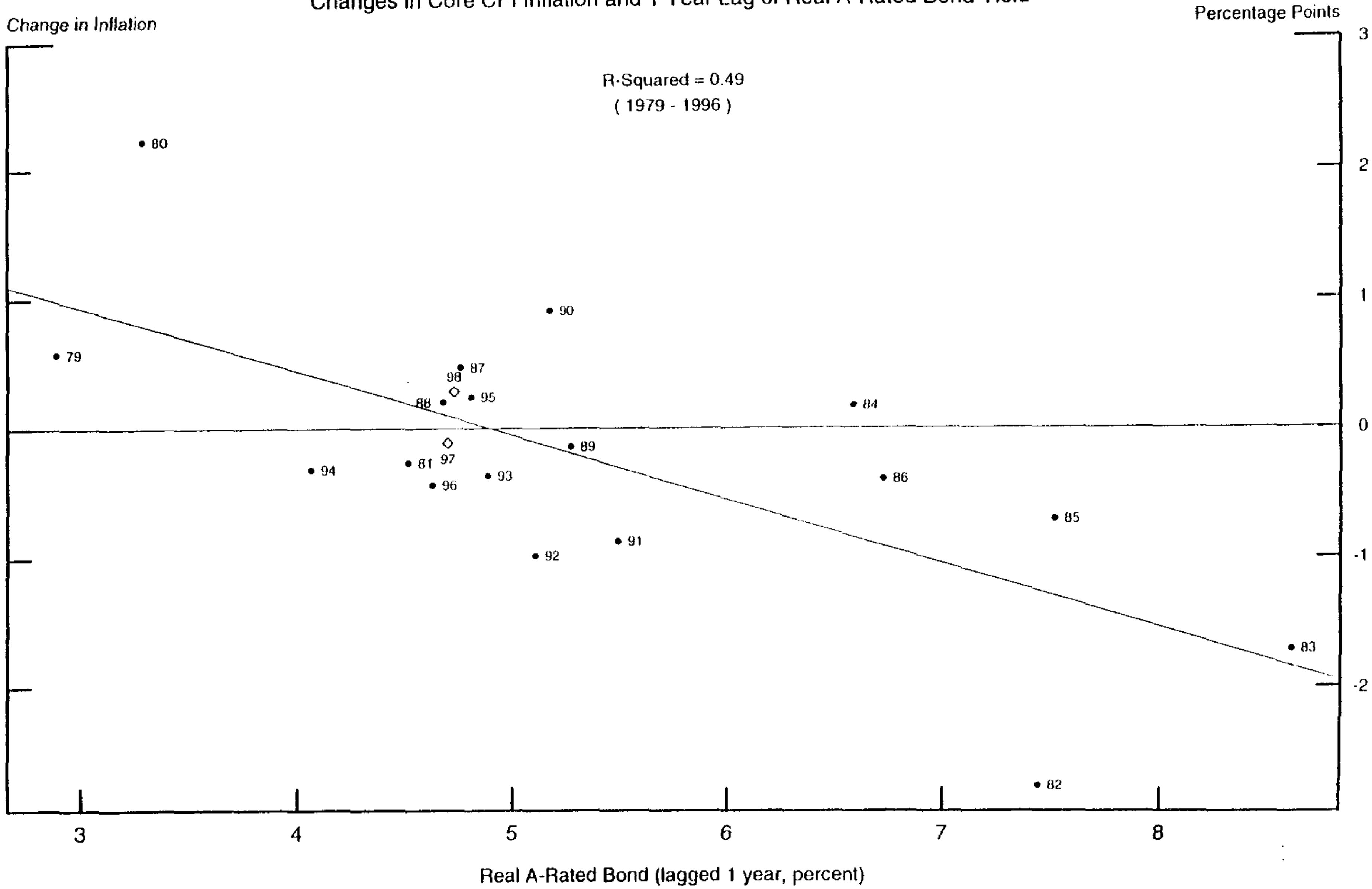

Nominal and Real Corporate Bond Rates




* For real rates, the solid line measures 10-year inflation expectations by the Blue Chip survey until April 1991 and the Philadelphia Federal Reserve Bank survey thereafter. Dotted line uses Michigan 5 to 10 year inflation expectation.
+ Denotes most recent weekly value.

Chart 13

Changes in Core CPI Inflation and 1 Year Lag of Real A-Rated Bond Yield*




*Annual average nominal A-rated bond yield deflated by Hoey/Philadelphia Fed survey measure of long-run inflation expectations. Points for 1997 and 1998 are based on the Greenbook forecast.